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Beyond Economics: Redefining Development

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INTRODUCTION

Since the short-lived interlude of impressive growth and prosperity in the 1970s, the dual scourges of involuntary emigration and high unemployment have returned to plague Irish society. Having increasingly become part of the global economy, Ireland has been buffeted by some of the worst effects of international recession. Problems at home, such as the high level of national debt, have also contributed to the difficulties of making economic progress in recent years. Our experience to date in the European Community has been very uneven, and the performance of our agricultural sector under the Common Agricultural Policy has been quite disappointing.

Despite these negative realities, Ireland's economy in recent years has been performing exceptionally well according to many economic indicators such as competitiveness and productivity. The major problem, however, is that this progress has not been translated into employment opportunities for almost one quarter of the labour force, not to mention the significant numbers who have been forced to seek employment abroad. Yet it could be argued that these most difficult circumstances provide a timely opportunity to question some of the fundamental assumptions underlying our model of development. To what extent do some of

our problems relate to the inordinate emphasis being placed on economics? Is sufficient attention being given to such basic criteria as the dignity of the person or the need to identify the common good in our policy making? To what extent is the state applying the principle of subsidiarity in its attempts to regulate the market? These are some of the basic issues addressed by Pope John Paul II in his 1991 encyclical *Centesimus Annus*, which provides the main inspiration for this paper. It is argued that during this period of economic difficulty in Ireland, this encyclical could provide considerable inspiration for policy makers in their attempts to create a development strategy.

THE DIGNITY OF MAN

One of the basic ideas which this document deals with is the dignity of the human person as the basis of development. More so than in earlier periods of history when the main emphasis in economic activity was on land or capital, man's principal resource today is man himself, and development is increasingly dependent on know-how, technology and skill. Access to education, therefore, is a key factor in helping people acquire wealth through their own work. Wealth creation depends on the many virtues associated with work, such as initiative and entrepreneurial ability. Wealth is created through a capacity for organisation and an ability to perceive and satisfy needs. In the Irish context there has been conclusive evidence of a definite relationship between low levels of education and a propensity to be unemployed.

In our modern democratic society, the free market is a most effective instrument for development, but it must be regulated by the state because of the tendency associated with it towards an absolute predominance of capital, which results in the domination of things over people. In that most remarkable book *Small is Beautiful: A Study of Economics as if People Mattered*, Schumacher (1974) concurs that the modern private enterprise system has been the most perfect instrument for the pursuit of personal enrichment. It ingeniously employs the human urges of greed and envy as its motive power, and manages to overcome the most blatant deficiencies of laissez-faire by economic

management, redistributive taxation and the 'countervailing power' of trade unions. He wonders, however, whether such a system can conceivably deal with the problems we are now facing. Schumacher suggests the need to evolve a more democratic and dignified system of industrial administration, a more humane employment of machinery and a more intelligent utilisation of the fruits of human ingenuity and effort. *Centesimus Annus* talks about the need to develop a society based on work, enterprise and participation, which acknowledges the dignity of the person. 'There is something due to man because he is man': he must be given a dignified role and should not be excluded or marginalised. Development should not take place over the heads of people.

In the Irish context it is very instructive to consider some of these points in relation to our experience with the Common Agricultural Policy over the last twenty years, and also because of the current plans to reform the CAP. Some commentators are suggesting the prospects of significant reductions in the farm labour force in the next few years, and also the prospects of rationalisation within the co-operative sector reaching a point where there will be only one large co-operative in Ireland. In terms of our experience with the European Community the CAP could be described as a bureaucratic fiasco: once the system was set in train it became almost impossible to halt its progress. However, it would be foolhardy not to recognise our own contribution to this negative experience. The Irish government and the Irish agricultural industry adopted a very short-term perspective in their efforts to exploit the CAP. Unfortunately for us, the end result of our 'interventionist mentality' has been a failure to use the past twenty years to develop an agricultural and food sector capable of competing internationally.

Centesimus Annus points out, however, that while profit has a legitimate role to play in our economic system as a regulator, it is not the only indicator. Human and moral factors are equally important and it is essential to see the firm as a community of persons. Education has an important role in establishing criteria and in helping society to distinguish between real human needs and artificial ones arising from consumerism. The economic system in itself does not possess criteria based on such a comprehensive picture of man. Man is more than a producer or a

consumer: there is more to life than the production and consumption of goods. Economic life is not the centre of everything, but rather one aspect of our existence: there is the danger of placing economics in an absolutist position. When the right relationship to the human person is lost, economics can end up oppressing man. Conway (1991) pointed out that economics is a poor guide to the optimal path for development. In order to avoid such domination, therefore, it is necessary to see consumer choices or savings and investment decisions as moral decisions.

Schumacher, anticipating that it may seem daring to connect the beatitudes with matters of technology and economics, suggests that perhaps one of the reasons we are in so much trouble is because of our failure to make this connection to date. Noting that we are destroying the very basis of our existence, he called for a reorientation based on remembering what human life is really about. Pointing out that the main content of politics was economics and the main content of economics was technology, he felt that these matters were too important to be left to experts, and that ordinary people were often able to take a wider view. He talks about the need to overcome the naked self-interest and the idolatry of enrichment, which forms part of the religion of economics.

REGULATING THE MARKET

Under the new capitalism there is a need to limit the market. Conway favours market mechanisms where they can operate effectively, 'because they facilitate an open flow of information and allow people to adjust to changing circumstances'. He sees a clear role for policy in trying to make market mechanisms more effective and trying to ensure greater equity of access for citizens. *Centesimus Annus* also accepts that market mechanisms have many advantages but it points to the risk of idolatry of the market: the market ignores goods which are not commodities. This idolatry in turn gives rise to consumerism and superficial gratification. Man becomes alienated in work and there emerges a reversal of means and ends. The worker is seen as a means not an end: isolation develops from a destructive competitiveness and

estrangement. If the value and the grandeur of the human person is not recognised, there is no basis for solidarity and society cannot benefit from humanity. The failure to acknowledge a transcendent truth results in the force of power taking over, with each person pursuing their own interests and exploiting others for selfish ends.

Schumacher claims that the strength of the idea of private enterprise lies in its terrifying simplicity, which suggests that the totality of life can be reduced to one aspect — profit. The idea of private enterprise fits exactly into the idea of 'The Market', which he describes as 'the institutionalisation of individualism and non-responsibility'. Reality becomes very simple when it is reduced to the concept of profit: you do whatever produces profits and you avoid whatever makes a loss. When the key issue is 'does it pay?', nobody wants to confuse the issue by asking whether a particular action is conducive to the well-being of society or whether it leads to moral, aesthetic or cultural enrichment. Schumacher, however, goes on to point out that the powerful concentration of business life on the aspect of 'profit' has had to be modified because it failed to do justice to the real needs of man. Thus the capitalist today wishes to deny that the one final aim of all his activities is profit.

The dominance of economics, according to *Centesimus Annus*, has led to a crisis in modern democracies, whereby the ability to make decisions aimed at the common good has been lost. The common good is not simply the sum total of particular vested interests, but rather an assessment of those interests on the basis of a balanced hierarchy of values. This demands a correct understanding of the dignity and rights of the person. In the absence of such an appreciation, electoral and financial power become the criteria for demands in society, rather than justice or morality. Distortion of political conduct creates distrust and apathy and leads to a decline in political participation, since people feel abused and disillusioned.

Freedom in the economic sector, therefore, needs to be circumscribed within a strong juridical framework, which places it at the service of human freedom in its totality. There is a risk of the spread of a radical capitalist ideology which blindly entrusts the solution of problems such as poverty to free-market forces. It

considers any attempt to solve such problems as being doomed to failure. A society in which economic policies do not allow workers to reach satisfactory levels of employment cannot be justified ethically. Thus ownership of the means of production is only morally justified in so far as it is a means of creating employment opportunities: it is illegitimate when it is not utilised or when it impedes the work of others.

THE ROLE OF THE STATE

The economic sector cannot be in an institutional, juridical or political vacuum. Conway points out that there is no such thing as an apolitical market economy. He suggests that it is not valid to argue that government regulation is undesirable, because it is perceived as an 'external' interference. A recent paper from the British Labour Party's think-tank, the Institute of Public Policy Research, claims that Britain's type of capitalism suffers from what the authors call the two 'fallacies' of laissez-faire. The first is that markets come first and social intervention thereafter. They argue, on the contrary, that the state creates and sustains markets, 'the important point being that it should do so in such a way that the individual energies released lead to socially desirable results'. The second so-called fallacy is that the pursuit of individual self-interest will, by the magic hidden hand, produce the greatest good of the greatest number. Disagreeing with this view, the authors suggest that 'markets have to be designed to maximise social good ... markets are created by political rules ... and different rules produce different results' (Blackstone *et al.*, 1992).

Returning to *Centesimus Annus* it is suggested that the state must guarantee security to those who work, so that they can enjoy the fruits of their labour. The primary responsibility for human rights in the economic sector, however, lies with individuals and not with the state. Although the state cannot directly ensure the right to work for all, nevertheless it has a competence in this domain. Conway questions the expectation that long-term unemployment will somehow get resolved without altering the nature of public intervention. *Centesimus Annus* suggests that not only has the state a duty to stimulate business activities and

support them during crises, but that it also has the right to intervene when monopolies create obstacles to development. Such supplementary interventions in times of crisis are justified in terms of the common good, but they should be as brief as possible so as to avoid the state smothering initiative and freedom. Under the so-called social assistance state, direct intervention deprives society of its responsibility, and results in an inordinate increase in public agencies dominated by bureaucratic ways of thinking. The principle of subsidiarity must be respected, whereby a community of a higher order should not interfere in the life of a community of a lower order. Needs are best understood by people who are closest to them.

In a 1967 article entitled 'Towards a theory of large-scale organisation', Schumacher outlines five principles, the first of which is the principle of subsidiarity. He quotes from the encyclical *Quadragesimo Anno*, which states:

... it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organisations can do. For every social activity ought of its very nature to furnish help to the members of the body social and never destroy and absorb them. . . . Those in authority should be sure that the more perfectly a graduated order is preserved among the various associations, in observing the principle of subsidiarity function, the stronger will be the social authority and effectiveness and the happier and more prosperous the condition of the State.

Is it not more than a little ironic to find that the current impetus to apply this principle in our case is from Brussels, while there appears to be considerable reluctance to foment regionally-based decision making on the part of the Dublin bureaucracy?

Just as man is not a mere producer or consumer, neither is he a mere object of state administration. *Centesimus Annus* claims that there is a tendency today for the individual to be suffocated between the two poles of the state and the marketplace. Life has neither the market nor the state as its final purpose: life has a unique value which the state and the market must serve. Society, therefore, needs to be personalised and prevented from becoming an anonymous mass. Policies are needed which have the family

as their principal object. People should be helped to develop networks of solidarity in order to strengthen the social fabric.

History shows us many examples where false models of development have been put forward, in which the role of human initiative and freedom have been neglected. There is a collective responsibility to promote development: part of this task is to foment a culture which fosters trust in the potential of people and in their ability to improve their condition and to make a positive contribution to economic prosperity. Bringing about such a culture, however, is likely to involve sacrificing the positions of income and power enjoyed by the more developed regions or groups in society. It may also mean important changes in established lifestyles, in order to limit the waste of environmental and human resources which currently prevails. A change of lifestyles, of modes of production and consumption and of the established structures of power would entail orienting social organisation to an adequate notion of the common good.

RELEVANCE FOR IRELAND

In the current period of persistent high unemployment and emigration levels, it is both timely and appropriate to begin to question the nature of the Irish development model. The fact that Ireland is part of the global economy must be acknowledged, and the significance of external forces on our economy is obvious. But for too long have we sought to look elsewhere both for scapegoats and for sources of initiative? Our dismal performance under the Common Agricultural Policy has already been alluded to; we are also very conscious of the fact that 75 percent of our manufactured exports are derived from foreign-owned subsidiaries. Do these realities reflect an almost endemic dependency in the Irish psyche?

While it is essential that we are fully aware of our deficiencies, it is also imperative that we focus on our many positive qualities, and develop a self-confidence in order to overcome our limitations. Our greatest resource, which is rapidly diminishing in many European countries, is our well-educated and youthful population. Unfortunately, at present there appears to be a greater demand for them abroad than at home. However, radical solutions may be

called for to change this situation, and it can be expected that these solutions will demand considerable sacrifice from those sectors of our society which are more advantaged. It is suggested that *Centesimus Annus* is an excellent source of inspiration for the Irish people for identifying a hierarchy of values in creating a new development model.

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